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ORIGINAL

ALLTEL

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JUL 17 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

July 17, 2000

By Hand

Magalie Roman Salas, Secretary
Federal Communications Commission
445 – 12th Street, S.W. TW-A325
Washington, D.C. 20554

Re: Ex Parte Letter
Amendment of the Commission's Rules Regarding
Installment Payment Financing For Personal
Communications Services (PCS) Licensees
WT Docket No. 97-82

Dear Ms. Salas:

ALLTEL Communications, Inc.[1] ("ALLTEL") in this letter Ex Parte briefly responds to the unfounded allegations of spectrum "warehousing" made against ALLTEL by Northcoast Communications in its Ex Parte presentation in the above-captioned matter dated July 12, 2000 ("Northcoast Ex Parte").

ALLTEL strenuously denies that it has warehoused its PCS spectrum under any measure. Currently, ALLTEL is the licensee of 64 10 MHz blocks of PCS spectrum. It initiated its PCS service offering in a number of markets including Tuscaloosa, AL., Birmingham, AL., Jacksonville, Fla. as well as the recently divested Mobile, AL and Pensacola, Fla. markets. Further, the Commission must note that ALLTEL is a diversified telecommunications carrier seeking to offer a full array of communications services in its existing, and recently acquired market clusters across the country. As part of its regional strategy, ALLTEL is currently considering the highest uses of the PCS spectrum it currently holds and may seek to acquire to extend its regional footprint should the Commission make appropriate opportunities for open bidding available.

[1] As an initial matter, ALLTEL notes that it (or its affiliated companies under common ownership and control) originally acquired 73 PCS licenses at auction and currently hold 10 MHz D or E block PCS licenses for 64 BTAs. ALLTEL has, consequently, sold a number of its PCS licenses to entrepreneurs and other entities outright, or, as in the case of the spin-off sale of the constructed and operating Mobile and Pensacola Markets, in response to Department of Justice ("DOJ") DOJ concerns stemming from ALLTEL's acquisition of the Mobile and Pensacola cellular markets from GTE as part of the DOJ required divestiture related to the Verizon merger.

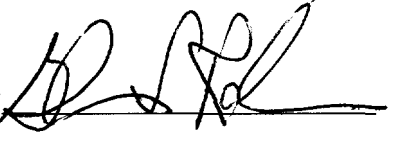
Rather than simply be the fifth or sixth entrant into a mobile service market, ALLTEL's potential uses for its PCS spectrum go beyond the conventional two-way mobile and data service offerings and include possible use of the spectrum for fixed wireless CLEC type operations as well as hybrid fixed/mobile applications. (see, for example, Attachment A hereto respecting the ALLTEL/Airspan trials) ALLTEL's current and anticipated use of its PCS spectrum is therefore fully consistent with: 1) the Commission's build out requirements; 2) its rules permitting flexible use of CMS spectrum; 3) its initiatives for the use of wireless for competition in the local exchange market; and 4) the requirements of section 309(j) of the Act.

ALLTEL also seeks the best use of its capital dollars for build out and seeks to invest in the latest technologies at the greatest economies. As noted in the Northcoast Ex Parte, third generation cell site equipment has resulted in drastically reduced build out costs over earlier equipment. It should come as no surprise to either Northcoast or the Commission that ALLTEL and other carriers would seek to benefit from the greater economies of third generation equipment as it builds out its territories.

In conclusion, ALLTEL has every intention of complying with the Commission's build out requirements, the deadline for which, ALLTEL is constrained to note, will not fall until April of 2002. Consequently, the allegations of warehousing contained in the Northcoast Ex Parte are wholly without merit and should be summarily disregarded.

Very truly yours,

ALLTEL Communications, Inc.

By: 

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ATTACHMENT A

Alltel tests fixed wireless loops

Nancy Gohring

06/19/2000
Telephony

The attention that broadband fixed wireless has attracted is rubbing off on the narrowband fixed wireless industry. Alltel will test equipment from Airspan Networks to offer competitive voice and data services using PCS frequencies. If the trial is successful, the wireless offering will fit into Alltel's competitive local exchange carrier strategy.

"Based on what we learn in the trial, we'll map that into our CLEC initiative," said John Haley, chief technology officer for Alltel.

"We'll be initially focused on areas where we're having difficulty with interconnection with the RBOCs," he said. Aside from working around uncooperative RBOCs, the wireless alternative could be cheaper and quicker to introduce. "A critical component of the trial is looking at costs. We believe it's going to be very competitive with renting unbundled elements from the RBOCs," Haley said.

AT&T Wireless spends $750 per customer on its fixed wireless offering in Fort Worth, Texas, and hopes to reduce that cost to $500, said an AT&T Wireless spokesman.

"Most think that we need to get down to $500 per line before we'll see phenomenal growth," said Larry Swasey, vice president of communications research for Allied Business Intelligence.

Airspan believes its customers may have an advantage over AT&T Wireless from a cost perspective. Airspan is working with customers worldwide and may reap economies of scale from manufacturing in greater volume. AT&T Wireless currently manufactures its local loop product in-house because it's in the development stages but intends to farm out the manufacturing, said the AT&T Wireless spokesman.

Alltel likely will target residential users and small businesses with the fixed wireless offering, using PCS licenses purchased in more than 70 markets during the A and B Block license auctions. To date, Alltel has only used PCS licenses in Biloxi, Miss., for mobile voice services while the rest of its equivalent offerings operate in the 800 MHz frequencies. Airspan's AS4000 Fixed Wireless Access System, which uses CDMA, has coverage characteristics similar to mobile offerings that operate in the 800 MHz spectrum, allowing Alltel to reuse tower

assets from its mobile voice service, Haley said.

The Airspan system can support a downstream rate of 512 kb/s per subscriber. Early next year, the company plans to deploy a system that can support 1.5 Mb/s with one data and two voice lines per user. While the technology can take advantage of CDMA developments that improve efficiency, the system will be less efficient than an all-data network because it also supports voice. "This is carrier-class," said Chris Rogers, vice president of North American business for Airspan.

The Airspan product also fits nicely into Alltel's plans because it supports wireline features instead of masquerading as a local loop solution that essentially supports mobile cellular with some fixed attributes, Haley said. Airspan supports services such as caller ID, integrates easily with residential home wiring and hooks into Alltel's operations support systems. "It has a strong wireline orientation," Haley said.

Alltel's decision to test wireless local loops (WLLs) comes at a time when the concept has come full circle. Narrowband WLL was considered to have huge potential but became overshadowed by the concept of broadband wireless, which could address the lucrative business markets.

Today, more companies are testing narrowband systems again.

"We'll see some experimentation in anticipation of the fact that wireless interfaces are becoming more robust," Swasey said. Operators such as Alltel may be introducing fixed wireless services to gain experience with WLLs in preparation for the availability of even more robust solutions, he said.

Operators also are experimenting with the business model for WLL. AT&T Wireless has rolled out its fixed offering in a densely populated region with plenty of competition. It's also an area where many high-tech companies - especially wireless companies - have offices, so the population may have a high proportion of early adopters. "That's what AT&T is betting on," Swasey said.

Alltel, however, is focusing on smaller markets where demand - particularly for competitive voice - may not already be met and where wireless systems may be easier to build out because of less traffic, Swasey said. "Each one is a strategy that has been considered by operators, and each has proved to be a viable concept," Swasey said.

Airspan believes its product is better-suited for the smaller markets that aren't already filled with countless competitors. "If you enter a market and become the 10th or 11th mobile offer, it's a risky business proposition," Rogers said. "Instead of going for the overserved market, why not go after the underserved market, which is suburban and rural voice and high-speed data?"

Operators that haven't launched services yet have also shown some interest in introducing fixed wireless instead of mobile voice. NTCH, a service provider in Grand Junction, Colo., and a winner of re-auctioned C Block licenses, has considered Airspan's fixed offering.

Alltel plans to test the service in Little Rock, Ark., with between 2000 and 4000 customers during a four-month period. The operator wants to test quality, observe coverage issues and spectrum efficiencies, and test integration

The Arkansas Democrat-Gazette

June 07, 2000, Wednesday

SECTION: BUSINESS; Pg. D1

LENGTH: 786 words

HEADLINE: LR tests for fixed-locale users of **ALLTEL** wireless start soon

BYLINE: JEFFREY TOMICH, ARKANSAS DEMOCRAT-GAZETTE

BODY:

ALLTEL will begin testing a wireless voice and data service here this month that could replace traditional wired access to some homes and businesses.

The four-month trial will begin in mid-June with about 250 homes and businesses. If successful, **ALLTEL** could soon launch the service here and in certain other markets where it doesn't have wired access to customers.

ALLTEL will use technology from Airspan Networks Inc., a Seattle-based company whose systems are already being used in a number of foreign countries, particularly developing nations that lack telephone infrastructure.

If the local trials are successful, **ALLTEL** plans to use the technology in its competitive local exchange markets where it doesn't own the copper wires reaching customers' homes and businesses, said John Haley, **ALLTEL's** senior vice president and chief technology officer.

The Airspan technology carries signals via the airwaves much like cellular calls, but because the receiving antenna, which is attached to a building, is stationary, the call quality is supposed to be equal to that of a traditional wire-line phone.

ALLTEL will use existing wireless PCS frequencies -- frequencies that could also be used for cellular calls -- for which it purchased licenses during a Federal Communications Commission auction in 1997. The company bought 73 licenses throughout the Sun Belt for $ 144 million, though it recently sold off three of the licenses.

ALLTEL is among a handful of telecommunications companies that have deployed or are testing fixed wireless systems as a means of bypassing the so-called "last mile" between the phone company's switching office and customers' homes.

Under the 1996 Telecommunications Act, the Baby Bells must lease their phone networks to voice and data companies, but such arrangements have frequently led to lingering disputes, and competition among local carriers has developed more slowly than anticipated.

AT&T was among the first to test fixed wireless technologies with its "Project Angel" trials in the Dallas area. The service got rave reviews, prompting the long-distance and cable giant to roll it out in March.

Last month, Sprint 's Broadband Wireless Group launched high-speed wireless Internet service in Phoenix with plans to expand to dozens of other cities later this year.

ALLTEL officials said a fixed wireless system would allow it to provide service faster to new customers and offer it less expensively because **ALLTEL** won't need to rely on the entrenched local telephone company [in Little Rock, it's Southwestern Bell Telephone Co.] for access to customers.

"We're fairly confident we'll be able to provide service to customers at a rate that's competitive or less than we're paying Southwestern Bell to lease [their network]," Haley said.

ALLTEL's fixed wireless project could help it compete against competitors like Southwestern Bell and BellSouth, but it's yet to be seen exactly how the trials go and how the company makes use of the technology, analysts say.

"It's too early to draw any conclusions," said Bo Fifer, a telecommunications analyst with Deutsche Bank Alex. Brown in New York. But "this could be a key component to [**ALLTEL's** competitive local exchange] strategy and get them into new markets more quickly because dealing with the [regional Bells] can be hell."

While **ALLTEL** is convinced the Airspan system can deliver the needed reliability to make it commercially viable, the Little Rock trial will go far in determining how the company uses it. Specifically, the company will look closely at the quality of calls using the wireless technology.

Fixed wireless would likely be used in areas where **ALLTEL** has experienced delays leasing phone lines from competitors, where it's most expensive to do so or where it's experiencing service-quality issues, Haley said. He didn't list specific markets.

Airspan's system is based on the same code division multiple access technology used by **ALLTEL**. Signals are transmitted via cellular frequencies to special antennas mounted on existing cellular towers and then to the company's switching center.

Customers will use a small rectangular antenna attached to their homes. A cable will connect the antenna to a terminal box, about the size of a computer modem, that will also connect to customers' telephones.

The technology will allow customers to have two voice lines and, eventually, broadband Internet access.

The voice service offered in the trial will be priced the same as **ALLTEL's** wire-line local service in Little Rock -- $ 39.95 a month for dial-tone service and an array of added features such as call waiting, three-way calling and caller identification.

LANGUAGE: ENGLISH

LOAD-DATE: June 9, 2000

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capabilities with back-end systems such as billing, Haley said.